

Message Text

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PAGE 01 STATE 126417

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TO AMEMBASSY BONN

INFO USMISSION USBERLIN

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C O N F I D E N T I A L STATE 126417

E.O. 11652:GDS

TAGS:PFOR, EAIR, WB, US, UK, FR, GW

SUBJECT:CAB INFORMAL ADVISORY ON PAN AM FARE INCREASE
SUBMISSION

REF: (A) BONN 5122 (B) BONN 4578

1. CIVIL AERONAUTICS BOARD (CAB) HAS PROVIDED DEPARTMENT
WITH INFORMAL OPINION ON PAN AM FARE INCREASE REQUEST
SUBMITTED TO CAA IN MEMO OF MARCH 24, 1975. CAB OPINION
BASED ON DATA SUBMITTED BY PAN AM IS THAT "IT DOES NOT
APPEAR THAT ANY FARE OR RATE INCREASES ARE WARRANTED AT
THIS TIME."

2. CAB FINDS IT DIFFICULT TO ACCEPT THAT PAN AM COULD

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PAGE 02 STATE 126417

EXPECT A DROP IN PROFITS AND A LOWER RETURN ON INVESTMENTS

AFTER THE ROUTE DIVISION TAKES PLACE. CAB POINTS OUT THAT PAN AM FIGURES FOR FY 76 APPEAR TO ANTICIPATE AN INCREASE IN FUEL COSTS WHICH, ABSENT DEMONSTRATED SPECIFIC FUEL CONTRACT PRICE INCREASES, SHOULD BE DISALLOWED. CAB ALSO NOTES THAT IT WOULD NOT NECESSARILY FOLLOW THAT BERLIN FARES SHOULD BE COMPUTED ON AN "INDUSTRY BASIS" SINCE WITH THE MINOR EXCEPTION OF STUTTGART PAN AM AND BA ARE NO LONGER FLYING COMPETITIVE

ROUTINGS. (COPY OF CAB ADVISORY OPINION POUCHED)

3. IN LIGHT OF CAB INFORMAL EXPERT ADVISORY OPINION DEPARTMENT WOULD BE EXTREMELY RELUCTANT TO PROPOSE FARE INCREASE REQUEST ON BASIS OF PRESENT PAN AM FIGURES ALONE WE ARE NOT DECIDED HOW TO DEAL WITH PERENNIAL BRITISH AIRWAYS SHORTFALL, HOWEVER. WITHOUT A DOUBT BA WILL BE ABLE TO PROVE THAT SUBSTANTIAL LOSSES WILL BE FORTHCOMING IF FARE INCREASE NOT IMMEDIATELY APPROVED. (FYI: CAB INDICATES IT UNABLE TO MAKE ANY JUDGEMENTS ON BA FARE INCREASE REQUEST, BUT EXPRESSED SURPRISE AT SUBSTANTIAL OPERATING LOSSES IN LIGHT OF PAN AM'S OBVIOUS FINANCIAL SUCCESS ON SAME ROUTES.) BASED ON OUR UNDERSTANDING OF UK VIEWS UP TO ONE MONTH AGO WE WOULD EXPECT UK WILL PRESS FOR FULL AMOUNT OF BA FARE INCREASE REQUEST TO OFFSET ITS PROJECTED LOSSES. WE DOUBT UK WOULD BE WILLING OR EVEN ABLE TO SEEK TO RECONCILE DIFFERENCES BETWEEN PAN AM AND BA FIGURES IN ORDER TO PRESENT COMPOSITE DATA AS JUSTIFICATION FOR FARE INCREASE WHICH WOULD "SPLIT DIFFERENCE" BETWEEN THAT JUSTIFIED BY BA'S FIGURES AND THE ZERO INCREASE APPARENTLY WARRANTED BY PAN AM'S.

4. BEFORE RAISING SUBJECT OF CAB FINDINGS WITH UK WE WOULD APPRECIATE CAA'S VIEWS ON POSSIBILITY OF RECONCILING DIVERGENT BA AND PAN AM FIGURES, AS WELL AS HIS ESTIMATE OF CURRENT UK THINKING ON NEED FOR FULL FARE INCREASE. IN ADDITION WE WOULD LIKE TO RECEIVE BOTH USBER'S AND THE EMBASSY'S OPINIONS WHETHER WE OUGHT TO CONSIDER AGREEING TO UNILATERAL FARE INCREASES ON THOSE ROUTES SERVED BY BA WHILE HOLDING PAN AM TO CONFIDENTIAL

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PAGE 03 STATE 126417

ITS PRESENT FARES ON ITS ROUTES AND WORKING OUT COMPROMISE LEVEL OF INCREASE FOR STUTTGART. (EMBASSY'S AND USBER'S VIEWS ON OBVIOUS VARIATION ON THIS THEME-- UNILATERAL UK REQUEST FOR INCREASED FRG SUBSIDIES ON ITS ROUTES-- WOULD ALSO BE WELCOME.)

5. FYI WE HAVE NOT TOLD PAN AM OF CAB INFORMAL ADVISORY AND DO NOT PLAN TO DO SO UNTIL WE HAVE HAD OPPORTUNITY

TO CONSIDER EMBASSY AND USBER VIEWS ON SUBJECTS
IN PARA 3 ABOVE. INGERSOLL

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